

**FINAL DRAFT
REGULATORY AND ECONOMIC IMPACT ANALYSIS
FOR 40 CFR PART 51 AND 52
PREVENTION OF SIGNIFICANT DETERIORATION
AND NONATTAINMENT NEW SOURCE REVIEW
REGULATORY REFORM**

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ECONOMIC IMPACT ANALYSIS

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1. INTRODUCTION

1(a) TITLE AND DESCRIPTION OF THE ECONOMIC IMPACT ANALYSIS

The major New Source Review (NSR) program regulates emissions increases due to new major sources and modifications at existing major sources in an effort to achieve and maintain the National Ambient Air Quality Standards (NAAQS). On November 15, 1990, Congress enacted numerous changes to title I of the Act (the 1990 Amendments) including changes involving the NSR provisions under parts C and D for major new sources and major modifications locating in attainment and unclassifiable areas, nonattainment areas, and ozone transport regions. Most of these changes are described in the "General Preamble for Implementation of Title I of the Clean Air Act Amendments of 1990" (General Preamble; see 57 F.R. 13498, April 16, 1992). Even though the EPA has not at this time revised its NSR regulations to reflect the statutory changes resulting from the 1990 Amendments, most States have adopted the basic requirements into their SIPs in response to statutory deadlines for SIP submittals. They are issuing permits pursuant to the 1990 Amendments and NSR Transition Guidance that was issued on March 3, 1991 and September 9, 1992.

During 1992, the Environmental Protection Agency (EPA) initiated two regulatory projects with respect to the NSR program. One was to codify the revisions to the NSR programs mandated by the 1990 Amendments (the so-called Part C & D rule). The other was to investigate concerns and potential corrective measures identified by the regulated community who contend that NSR program often subjects environmentally neutral, and in some cases beneficial, activities to time consuming, complex and costly permitting requirements. The EPA committed to reform the NSR program with several objectives: 1) Provide program exclusions for those projects that are environmentally beneficial or neutral but that get caught under the old regulations; and 2) Clarify ambiguous requirements and review procedures, thereby expediting the permitting process; and 3) maintain the current level of environmental protection and other benefits derived from the existing program.

Prior to proposal of the NSR reform revisions, the Agency decided as part of its regulatory streamlining initiative to merge several provisions from the Part C & D rule into the NSR Reform rulemaking. Those provisions would either further relieve regulatory burden of the NSR programs or help States that have outstanding State implementation plan (SIP) obligations and revisions to resolve the underlying issues and expedite the SIP approval process.

The NSR reform rulemaking therefore proposes regulatory changes in four major areas: (1) applicability criteria, including new major source thresholds, for determining if the major NSR requirements apply to a source; (2) control technology requirements, (3) protection of Class I areas; and (4) revised offset requirements for nonattainment areas. Several other minor changes are also proposed. All of the proposed changes are discussed in the *Federal Register* notice of proposed rulemaking for NSR Reform. The purpose of this document is to analyze the regulatory impact of the proposed NSR changes according to the regulatory requirements of: the Regulatory Flexibility Act (RFA), the Paperwork Reduction Act (PRA), Executive Order (EO) 12612-Federalism Policy Formulation and Implementation, EO 12898-Federal Actions to Address

Environmental Justice in Minority Populations and Low Income Populations, and the Unfunded Mandates Reform Act of 1995, A full Information Collection Request (ICR) analysis is included in a separate document.

1(b) EXECUTIVE SUMMARY

The Unfunded Mandates Reform Act of 1995 ("Unfunded Mandates Act"), signed into law on March 22, 1995, codifies existing regulatory reporting requirements from Executive Orders 12866 (Regulatory Planning and Review, signed September 1993), and 12875 (Enhancing the Intergovernmental Partnership, signed October 1993). Under Section 202 of the Unfunded Mandates Act, EPA must prepare a budgetary impact statement to accompany any proposed or final rule where the estimated costs to State, local, or tribal governments, or to the private sector, will be \$100 million or more. Under Section 205, EPA must select the most cost-effective and least burdensome alternative that achieves the objective of the rule and is consistent with statutory requirements. The budgetary impact statement under Section 202 must include: 1) a citation of the statutory authority under which the rule is proposed or promulgated, 2) an assessment of the costs and benefits of the rule and the federal resources available to defray the costs, 3) where feasible, estimates of future compliance costs and disproportionate impacts upon particular geographic or social segments of the nation or industry, 4) where relevant, an estimate of the effect on the national economy, and 5) a description of EPA's prior consultation with State, local, and tribal officials.

The proposed NSR Reform revisions offer significant regulatory relief in terms of the reporting and RECORD-KEEPING burden, relative to the NSR requirements as they are currently implemented. The proposed revisions to major NSR applicability criteria would exclude an estimated 50% of sources that might otherwise be subject to major NSR. These sources would then be covered by minor NSR programs implemented at the State and local levels. Figure 10-1 below displays the relative impact of each of the proposed revisions to major NSR applicability. Cost savings would be realized due to less effort needed for preparation of permit applications and shorter processing time of minor versus major NSR permit and to the extent that the minor NSR technology control requirements and mitigation measures are less costly than the major source requirements and measures. Also, the proposed streamlining of some of the time-intensive aspects of the major source requirements would have a similar effect in decreasing the costs of developing permits and reduces the costs of delay and uncertainty in planning for future source growth. Permitting Authorities (PAs) and the Agency will also in a decrease in permit processing costs.

Because the proposed Reform revisions to the NSR program would produce a cost savings, the EPA is not required to prepare a budgetary impact statement the proposed rulemaking. But since the NSR program is of great interest to industry and permitting Agencies, a comparative analysis was performed of the program under the current and proposed Reforms. The total information collection cost burden of the current NSR program to industry, the implementing Federal, State and local permitting agencies is estimated to be approximately \$41 million. The cost burden to industry respondents of the current NSR program is about \$29 million. The estimated cost burden to industry respondents, if the proposed changes in the

NSR Reform rulemaking are promulgated, would be about \$18 million, yielding an estimated decrease in expected costs of approximately \$11 million per year. In addition, the proposed NSR Reform package would reduce the cost to State and local agencies by an estimated 2.5 million per year. For the Federal government, however, the savings derived from this rulemaking would be smaller, on the order of \$200 thousand per year.

The proposed revisions are not expected to result in significant deleterious environmental impact.

2. SCHEDULES FOR OMB REVIEW

This rulemaking was presented to the Office of Management and Budget in July of 1995 for review. The proposal date will be in March or April 1996. The Administrator anticipates promulgation of this rulemaking in April 1997.

3. NEEDS AND CONSEQUENCES

This chapter of the Economic Impact Analysis summarizes the statutory requirements affecting the development of the major NSR program and describes the nature of the problem. The need for regulatory action and the consequences of the regulation in terms of improving the functioning of the market are also discussed.

3(a) NATURE OF THE PROBLEM

In the absence of government regulation, market-oriented economic systems typically fail to prevent elevated levels of pollution in the environment because the environment is a public good. More specifically, individual sources treat the assimilative capacity of the environment as a "free good" resource to dispose of unused byproduct emissions. Under these conditions, emitters of pollutants and pollutant precursors do not internalize the cost of damages created by their own emissions. These damages occur to society as a whole, rather than to specific members of society. This is because pollution emissions are non-market goods -- goods not bought or sold in the marketplace -- and the atmosphere carries with it no property rights. The damages of pollution include increased morbidity and mortality; property damage from soiling, staining, and corrosion; and productive loss due to decreased worker efficiency, crop and livestock damage, and increased wear and tear on capital stocks. All of these damages are measurable. In addition, there are damages caused by pollution that are much harder, if not impossible, to quantify. These damages include habitat loss, diminished biodiversity, reductions in aesthetic quality, option values, and existence values.

The divergence between the private cost of production and the social cost of production occur because the source does not bear the full cost of its activities (market costs plus damages). The outcome of the cost divergence is market failure, where as described in this case, the level of output is such that marginal social benefits are not equal to marginal social cost. The result is

economic inefficiency, or a mis-allocation of society's resources; the polluting activity (e.g., the release of ozone precursors) occurs at too high a level in comparison to the optimally efficient situation, thus reducing the potential total benefits to society. Regulatory strategies attempt to correct for the divergence between social and private costs. Using regulatory strategies to internalize the negative externality may not, however, result in zero air pollution. Economic efficiency calls for abatement up to the point where additional abatement would cost more than the additional benefits would be worth to society.

In addition to government regulation, other potential mechanisms may be used to correct for the negative externality brought about by air pollution. Negotiations or litigation under state tort and state common law, in theory, could result in compensation to persons for the damages that they incur. However, two major obstacles block the correction by the private market for pollution-based inefficiencies and inequities. The first obstacle is high transaction costs when millions of persons are affected by millions of pollution sources. Transaction costs of compensating those adversely affected arise and accumulate because the current and future injury to each individual must be appraised, the injury must be apportioned to each precursor source, and damage suits or negotiations must be conducted. In an unregulated market, each source of precursor emissions and each affected person would have to litigate or negotiate. The transaction costs would be so high as to probably exceed the benefits of reduced air emissions. These obstacles strongly suggest that another mechanism is desirable for solving air pollution problems.

The second obstacle discouraging resolution by the private sector is due to the public good nature of air resource. That is, after emission reductions have been achieved, the benefits of cleaner air can be enjoyed by additional persons at no additional cost. This results in the classic "free rider" problem. Everyone would have an incentive to be the last to contribute resources for litigation or negotiation, thinking that he or she would freely benefit from the efforts of others. While regulatory intervention can mitigate the impacts of the types of market failures discussed above, they generally do not occur without imposing their own costs. Typically, these costs include administration, enforcement, and the redistribution of resources at all levels. However, secondary impacts on social and economic sub-groups of the economy can also be affected in a disproportionate manner. The purpose of this report is to analyze, identify, and mitigate these regulatory costs and impacts.

3(b) LEGISLATIVE REQUIREMENTS

This report presents an economic assessment of the likely impacts of the proposed NSR Reform revisions in accordance with the requirements of: EO 12866 for Economic Analysis (EA, formerly a Regulatory Impact Analysis - RIA); EO 12875 for the analysis of Unfunded Mandates; EO 12898, which provides limited guidance for the analysis of disproportional impacts on peoples (Environmental Justice - EJ); the Regulatory Flexibility Act requirements for disproportional impacts on small entities; and the Paperwork Reduction Act requirements for an Information Collection Request (ICR) to analyze the administrative burden imposed by the proposed rulemaking.

4. CONSIDERATION OF ALTERNATIVE APPROACHES

Because the development of the proposed NSR Reform package has been informed by recommendations and discourse under the Federal Advisory Committee Act (FACA) process, there has been significant consideration of alternative approaches to each part of the NSR Reform effort. Because the NSR Reform Subcommittee, formed under the auspices of the Clean Air Act Advisory Committee (CAAAC), was comprised of members of the regulated community, State and local air pollution control agencies, environmental organizations, and other Federal agencies, the proposed NSR Reform package reflects a reasoned consideration of the specific interests of each of those groups.

4(a) NO REGULATION

Title I of the Clean Air Act mandates the NSR program. Consequently, "No Regulation" is not a viable option for this analysis.

4(b) ALTERNATIVE EFFECTIVE DATES

The purpose of the proposed NSR Reform rulemaking is to provide regulatory relief to sources (the purposes are described in more detail elsewhere in this EIA). Consequently, the earliest possible effective date was assumed in this analysis. Any other alternative effective dates would delay the regulatory relief contemplated by the proposed revisions and, in effect, result in additional costs and burden to sources.

4(c) ECONOMIC INCENTIVE ALTERNATIVES

While marketable permits are not typically a part of the NSR process, there are certain market-like decisions available to an owner operator when considering to construct a new plant or modify an existing one. In the first case, when a new major source is contemplated, the owner/operator must determine if the annualized cost of complying with all environmental regulations (of which NSR is only one factor) can be absorbed either by the market or the source, such that acceptable profits would be realized. With respect to NSR the factors would include preparation of permit application, installing the required emissions controls, and mitigating any adverse air quality impacts that would otherwise derive from the construction and operation of the source. For example, when a new source seeks to build in an area designated as nonattainment, that source is required to offset its proposed emissions increases by purchasing emissions reductions from existing sources. The offset process is a form of market based strategy. For existing major sources, the existing applicability criteria sets up a scenario in which the owner/operator may retire old less efficient emissions units for emissions credit against the increase created by new or modified emissions units. Historically, the EPA held that the increase associated with new and modified units must be its full potential (which includes the effect of installed emissions controls and other specific, enforceable operating limitations). Thus, the market-based decision is between the emissions controls and mitigation of impacts associated with

the new units compared with the profitability of continuing to operate the old units.

The proposed NSR Reforms would favorably impact this market-like decision process in several ways: 1) the emissions increases associated with new emissions units or modified existing units would be based on projections of what actual emissions will be after the installation or modification. Thus the owner/operator determines the value of the emissions from old units that might be retired. 2) Certain emissions increases associated with projects that produce a clear overall benefit by eliminating other emissions will be exempted from major NSR, thus allowing the owner/operator to reserve the emission reduction credits from retiring old emissions units for subsequent increases. 3) The reforms will, to some degree, reduce the costs associated with preparing the major source permit, and provide for more sources of "marketable" offsets to mitigate impacts, thereby lowering their cost.

Since a true voluntary marketable permit program is outside the scope of the NSR program and the quantification of values for the market-like decisions described above are extremely complex, the comparative analysis described herein will only include the mandated offsets program for nonattainment and certain PSD areas.

5. ASSESSING BENEFITS

5(a) INTRODUCTION

This chapter addresses the potential benefits associated with implementation of the major NSR program under title I of the Act, as modified by this rulemaking.

5(b) EXPECTED BENEFITS

The primary benefit is regulatory relief, i.e., a reduction in the regulatory burden for industry and the program-implementing Federal, State and local agencies. This rulemaking would exempt from major NSR about half the sources that would otherwise be subject to major source permitting requirements of Part C & D of the Act and the implementing Federal and State regulations. Further, the complexity and length of the NSR permitting process have been reduced. Environmentally, the proposed rules would provide for better protection of air-quality-related ecosystem effects to areas of public interest such as National Parks and Wilderness Areas. Changes in air quality from a human health and welfare standpoint are expected to be insignificant as a result of the proposed reforms.¹ Consequently, this analysis assumes that the only benefits that will be achieved from this rulemaking are quantifiable as cost savings.

¹ Certain proposed provisions not associated with the NSR Reform effort will facilitate the Act-mandated requirements to limit and offset emissions increases from new and modified major sources located in areas that do not achieve the NAAQS. Most of these requirements are already being implemented by State and local agencies, and the regulatory burden for these provisions has been assessed previously. Benefits to be derived from changes in human exposure, improved quality of life, and other unquantifiable aspects of title I are enumerated in analyses for other rulemakings, such as the setting of NAAQS, and are not included in this EA.

6. ASSESSING COSTS

6(a) INTRODUCTION

This chapter addresses the explicit costs of the proposed NSR Reform package in terms of number of sources, and the methodology for determining the administrative burden to sources and implementing Federal, State and local permitting agencies. The cost to sources includes the administrative cost of preparing, and submitting a part C or D permit. The cost estimate excludes opportunity costs and any unquantifiable cost associated with any production delays attributed to permitting. These intangible costs are dealt with separately within this report.

6(b) METHODOLOGY

This section discusses the methodology used to estimate Federal, State, and source costs associated with the implementation of the proposed NSR Reform program, including the determination of a nationwide estimate for administrative costs and an analysis of economic impacts of the proposed NSR Reform package on small businesses in accordance with the requirements of the Regulatory Flexibility Act.

6(b)(i) MAJOR SOURCES

The NSR programmatic ICR was updated in September 1995 to reflect the requirements imposed on the NSR program in parts C and D Act. The supporting draft EIA for that ICR is attached as an appendix. As noted earlier, the revisions to part C & D requirements from the 1990 Amendments have not been codified into the NSR regulations, but nearly all substantive requirements have been implemented by State and local agencies. The proposed rulemaking that is the subject of this EIA also propose to adopt certain key revisions mandated by the 1990 Amendments to further relieve regulatory burden of the NSR programs or help States that have outstanding State implementation plan (SIP) obligations and revisions to resolve the underlying issues and expedite the SIP approval process. Consequently the baseline provided by the September 1995 ICR would not change as a result of this proposed rulemaking and thus would continue to be the baseline (the 1995 baseline) for this EIA (and ICR for the NSR Reform rulemaking).

The September 1995 NSR program ICR represents a significantly higher number of sources subject to NSR than previous ICRs as a result of the 1990 Amendments. The method used to determine the expected number of permits effected by the NSR Reform rule was the same as that used for September 1995 ICR. Data from previous ICRs were used. The approach involved two steps: a sensitivity analysis of those Standard Industrial Code (SIC) groups which tend to have the greatest number of NSR permits each year, and conducting telephone interviews to verify the accuracy of these estimates. Interviews were conducted with State and EPA Regional Office personnel who were identified as having broad NSR permitting experience, industry experts, and other affected parties. These estimates were used to develop an overall

estimate of the number of affected sources.

While the telephone surveys showed that even among experts with similar expertise and experience, estimates of the effects of the proposed changes varied widely, the net effect of the proposed revisions to the NSR regulations will be to reduce the number of sources subject to NSR permitting, as compared to the 1995 baseline. This reduction will occur in both nonattainment and PSD areas. Because data are not available for estimating the number of sources by pollutant, the number of sources subject to major NSR provisions will be estimated collectively for all of the criteria pollutants. This is consistent with the methodology used for the September 1995 ICR. Thus the estimated total annual number of major part D sources per year is 590; the number of PSD sources at 320 per year.

The EPA estimates that at least 80% of the sources in the 1995 baseline are major modifications to existing major sources. The proposed NSR Reforms would create four exclusions that would reduce the number of sources which must undergo major NSR as a result of modification under the current regulations. Each of these is discussed below. The actual frequency that a given proposed revision would be used is extremely difficult to quantify given the limited data on the number and types of sources that have been issued major NSR permits in the past. Numerous assumptions were therefore necessary in deriving the estimated impacts of the proposed NSR Reform revisions. It is believed, however, that the assumptions err conservatively, so the analysis is still quite useful for estimating a conservative burden reduction of the proposed NSR Reform rule.

New Applicability Test for "Clean Units" This test would apply to two types of modifications to existing emissions units. First, it is assumed that major modifications to existing units constitute about 20% of all modifications that would otherwise be subject to NSR (16% of the 1995 baseline). About 50% of these modifications are assumed to have installed BACT or LAER within the last 10 years and another 10% would qualify as well-controlled units. Therefore the test would apply to approximately 10 percent of the 1995 baseline. Now it is assumed that 50 % of these sources would exhibit no increase in potential hourly emissions and thus avoid major NSR. Multiplying the 1995 baseline by the resulting 5%, 30 part D and 16 PSD sources per year would be able to avoid major NSR as a result of this proposed applicability test.

Change in Netting Baseline Reported estimates for the percentage of modifications currently subject to major NSR that would be able to net out under the proposed system ranged from 25 to 90%. Using the 1995 baseline and the most conservative reduction (25% of estimated modifications or 20 of the 1995 baseline) this analysis projects 118 major part D sources or modifications and 64 major PSD sources per year would net out due to the change in the netting baseline.

Pollution Control Project Exemption The Agency expects the decrease in major NSR permits due to the proposed exemption for pollution control projects and qualifying pollution prevention projects to be about 5 percent of 1995 baseline. This estimate is small because it is believed most projects of this nature would not be a major modification under the current regulations. Consequently, the estimated reduction in the number of major part D permits is 30 per year, and the number of major PSD permits would fall by 16 per year.

Actual-to-Future Actual test The Agency expects that by itself the impact of this applicability test would be similar to extending the period for determining the netting baseline;

however, when combined, the two should create a synergistic effect. Therefore, the impact for this test was conservatively estimated at a 30% reduction of all modifications that would otherwise be covered by major NSR (or 25% of the 1995 baseline). Consequently the commensurate reduction in major part D NSR permits would be 147, and the number of PSD permits would drop by 80.

Combined Effect of Changes The decreases in the number of sources subject to major NSR are not additive. For example, a modified unit might no longer be subject to NSR because of the clean-unit test or the revision in the netting baseline. However, given the numerous assumptions that were necessary the effect of this double-counting was also assumed to be negligible and was therefore ignored. The estimated impact of all the proposed reforms on NSR applicability would be a reduction of 324 part D sources and 176 PSD sources which would have otherwise been subject to major NSR. The September 1995 ICR baseline would be reduced to 266 part D and 144 PSD major sources per year. Table 6-1 below displays the changes in reporting requirements in tabular form.

**TABLE 6-1
THE CHANGE IN NSR APPLICABILITY
DUE TO THE NSR REFORM PROPOSALS**

1995 Baseline for Reporting Sources			PSD	Part D NSR	Total
			320	590	910
Proposed Change to Applicability	% Reduction of Baseline		Units Able to Avoid NSR		
	PSD	Part D	PSD	Part D	TOTAL
New Test for "Clean Units"	0.05	0.05	-16	-30	-46
Change in Netting Baseline	0.2	0.2	-64	-118	-182
Use of Actual-To-Actual Test	0.25	0.25	-80	-148	-228
Pollution Control Project Exemption	0.05	0.05	-16	-30	-46
Total Reduction in 1995 Baseline	0.55	0.55	-176	-325	-501
Number of Sources Required to Report			144	266	410

6(b)(ii) MINOR SOURCES

The September 1995 ICR estimated 19,500 minor source permits per year. For the purposes of this analysis, the term "minor source" means any new source that is below the major new source emissions thresholds, and any modified source that is below the major modification thresholds called "significant emissions increases," for either nonattainment or attainment/unclassifiable areas. Although these sources would not have to undergo major NSR, they would have to receive a nonapplicability determination, and would probably be subject to the relevant State minor NSR permitting provisions.

The number of minor sources nationwide will increase as a result of the decrease in major sources. The estimated total decrease in major sources as a result of the proposed NSR reforms

was added to the 19,500 minor sources respondents to yield a estimated total of 20,000 minor source respondents.

6(b)(iii) STATE AND LOCAL AIR POLLUTION CONTROL AGENCIES

All of the previous ICRs use the same number of State and local air pollution control agencies performing major part D, major PSD, and minor source review programs. For consistency, this analysis also assumes the number of State and local agencies would not change from the number of agencies used in the previous ICRs.

6(b)(iv) DETERMINING BURDEN

Respondent Burden Appendix A, Table A-1 shows the estimated industry burden used in the five previous NSR ICRs. Each presented separate estimates for developing major PSD, major part D, and minor source permits. This analysis uses the estimates from September 1995 ICR analysis as a baseline and adjusts them based on the proposed NSR reform changes. The following items are a comprehensive list of the tasks that a major source may be required to perform when developing and submitting a PSD permit application:

- Read applicable regulations to determine compliance requirements
- Inquire of or meet with the appropriate permit reviewing authority (and concurrently with the FLM if applicable) to obtain guidance on what data are needed to meet the applicable requirements.
- Prepare BACT engineering analysis
- Perform air quality modeling to demonstrate that the source will not cause or contribute to a violation of a NAAQS or increment
- If applicable, ascertain and present information to determine the effect of the proposed source on AQRVs inside Class I areas. The AQRVs to be addressed will be identified by the FLM.
- Perform both pre- and post-construction air quality monitoring as necessary
- Prepare and submit permit application
- Attend public hearing
- Revise permit application per comments received from the PA and/or from public comments as directed by the PA

Not all major PSD sources would have to perform all of the tasks listed above. For example, a source will only have to perform pre-construction monitoring if there is insufficient monitoring data available, or if the permit reviewing authority requests it. Also, a source will not have to perform a Class I area AQRV analysis if its proposed emissions are not expected to adversely impact a Federal Class I area (based on a proposed requirement linking the necessity for a Class I analysis with the filing of a notice alleging potential adverse impacts). The level of effort associated with performing the tasks will also vary from source to source depending on such factors as the types and amounts of pollutants emitted by the source, its proximity to the Federal

Class I area, the number of AQRV's potentially affected, the availability of air quality and modeling data, and availability of data relative to sensitive receptors and the AQRV's. Because the effects of each category of change listed above are largely uncertain, they are not considered further here. For methodological consistency with previous NSR ICRs, the following burden estimate represents an average rather than a worst-case estimate. This analysis estimates an increase in burden for PSD permit development in Class I areas of 18 hours, and a decrease of 7 hours for the BACT cutoff date, for a net increase of 11 hours per permit. Using the September 1995 ICR as a baseline, the new PSD permit development estimate is 711 hours per source.

The September 1995 ICR also provided estimates of the burden for part D (nonattainment area) permit development. As with PSD, this estimate is used as a baseline, and is adjusted to account for the proposed NSR reform changes. A major source developing and submitting a part D permit application may be required to perform the following tasks:

- Read applicable regulations to determine compliance requirements
- Inquire of or meet with the appropriate permit reviewing authority to obtain guidance on what data are needed to meet the applicable requirements
- Prepare LAER engineering analysis
- Perform air quality analysis
- Identify and document emissions offsets
- Perform an analysis of alternatives (described below)
- Prepare and submit permit application
- Attend public hearing
- Revise permit application per comments received from the permit reviewing authority and/or public comments

The September 1995 ICR estimated the average part D permit development burden at 450 hours per source. Changes to part D due to the expansion of the Undemonstrated Technology/Application (UT/A) waiver is the only significant provision that applies to nonattainment areas. However, in terms of reporting and RECORD-KEEPING burden, this provision is expected to have a negligible effect because the full nonattainment NSR procedures will continue to apply. In fact, the UT/A procedure poses a possible increase in burden because of the added tasks of determining the UT/A emissions limit, identifying failure modes, evaluation of the UT/A's performance, and possibly performing a Class I area analysis. Because the impact of the UT/A procedure could be positive or negative and because it is a voluntary exercise, the effect of the expansion of the UT/A program is estimated to be negligible. The proposed reforms that reduced the burden of the BACT analysis would also extend to LAER. The benefit to part D sources was estimated approximately one percent of the total burden to sources, or approximately five hours. Therefore, the overall part D permit development burden was estimated at 445 hours per source. Table 6-2 displays the relative burden of each of the part C and D tasks.

The burden associated with minor source permits derives from preparing the necessary analyses and documentation to demonstrate that they are exempt from the major source requirements. These requirements may vary depending on State requirements, on whether the

source will be located in an attainment or nonattainment area, and on whether the source will be new or modified. At a minimum, a source will have to fill out a permit application and submit documentation to the permit reviewing authority to demonstrate that the source's emissions will be below the emission cut-point for a major source. The September 1995 ICR estimated the permit development burden for minor sources at 8 hours. Revisions to the NSR regulations will not substantially increase the permit burden estimate for minor sources. Sources that would be excluded under current regulations would continue to be required to submit the same information as before. Therefore, this analysis uses 8 hours to calculate the burden estimate for minor sources.

State and Local Agency Burden Appendix A Table A-1 shows the State and local agency burden estimates used in the five previous NSR ICRs for developing major PSD, major nonattainment NSR, and minor source permits. The September 1995 ICR estimated the PSD permit processing burden to State and local agencies to be 280 hours per permit. Several proposed regulatory changes affect the burden to State and local agencies in processing PSD permits. The BACT cutoff date could lead to a significant savings in a few instances. This analysis estimates the average savings from the proposed changes to the BACT cutoff date to be 3 hours per permit.

Several additional requirements pertain to the permitting authorities' (PA) responsibilities to coordinate with Federal Land Managers (FLM) when processing and reviewing applications requiring a Class I analysis. These requirements include:

- If the PA receives early notification of a project within 100 km of a Class I area, it must notify the FLM(s) and provide the FLM(s) with an opportunity to participate in any preapplication meetings.
- When a permit application is received for a source within 100 km of a Class I area, the PA must submit a copy to the relevant FLM.
- The PA must log all applications in the NSR BBS and submit a copy of the application to EPA.
- The preliminary determination prepared by the PA for the public comment period must now address efforts to consult with the FLM about the application, as well as an evaluation of the FLM's Class I area analysis, if applicable.

It should be noted, however, that the new provisions do not represent totally new burdens in all cases. For example, the Federal PSD program currently requires an opportunity for the FLM to participate in pre-application meetings with the applicant and permitting authority. States which implement the PSD program under delegated authority already undertake the responsibility of notifying and scheduling such pre-application activities. The new requirement is being added to the part 51 PSD regulations where it is also likely that some States are already assuming this responsibility as well following the procedures contained in the Federal PSD regulations. Also, some States notify (including the mailing of the permit application to) the FLM when a source is expected to adversely affect a Federal Class I area. This requirement will affect only those circumstances where such notification was not automatically done for sources within 100 kilometers of the Class I area. Finally, the inclusion of Class I area information in the

TABLE 6-2
RELATIVE RESPONDENT BURDEN

	Activity	No. Units	Hours Per Unit	Total Hours
I. Part C (PSD)				
A.	Preparation and Planning			
	Determination of Compliance Requirements	144	86	12,384
	Obtain guidance on Data Needs	144	86	12,384
	Preparation of BACT Engineering Analysis	144	86	12,384
B.	Data Collection and Analysis			
	Air Quality Modeling	144	202	29,088
	Determination of Impact on Air Quality Related Values	144	50	7,200
	Pre-construction Air Quality Monitoring	144	50	7,200
	Post-construction Air Quality Monitoring	144	50	7,200
C.	Permit Application			
	Preparation and Submittal of Permit Application	144	52	7,488
	Public Hearings	144	33	4,752
	Revisions to Permit	144	16	2,304
D.	TOTAL	144	711	102,384
E.	1995 Baseline Burden			224,000
F.	Estimated Increase (Reduction) in Burden			(121,616)
II. PART D (Nonattainment)				
A.	Preparation and Planning			
	Determination of Compliance Requirements	266	75	19,913
	Obtain guidance on Data Needs	266	75	19,913
B.	Data Collection and Analysis			
	Preparation of LAER Engineering Analysis	266	20	5,310
	Demonstrate Offsets	266	40	10,620
	Prepare Analysis of Alternative Sites, Processes, etc.	266	60	15,930
	Air Quality Modeling	266	100	26,550
C.	Permit Application			
	Preparation and Submittal of Permit Application	266	38	10,089
	Public Hearings	266	25	6,638
	Revisions to Permit	266	12	3,186
D.	TOTAL	266	445	118,148
E.	1995 Baseline Burden			265,500
F.	Estimated Increase (Reduction) in Burden			(147,353)
III. Minor NSR Permitting				
A.	Prepare and Submit Permit Application	20000	8	160,000
B.	1995 Baseline Burden			156,000
C.	Estimated Change in Burden			4000
IV. TOTALS				
A.	Total Burden Based on Proposed Reforms			380,532
B.	1995 Total Baseline Burden			645,500
C.	Estimated Increase (Reduction) in Burden			(264,969)

preliminary determination is not a completely new requirement either, although the new provisions clarify the type of information that must be included in the public record and the extent to which the PA is expected address its own evaluation of the Class I adverse impacts if it rejects the FLM's demonstration. Therefore, all of the above requirements would apply for every PSD permit. Each of the requirements will yield a minor increase in burden. This analysis estimates the net increase in burden due to the increased Class I area requirements in the proposed NSR reforms would be about 9 hours per source. It is believed that considerable benefit may be derived by the proposed revisions in reducing the need for further analyses, meetings and negotiations late in the permitting process. It was estimated that the savings would an average of 14 hours per permit. The resulting net change in State and local agency burden from the proposed NSR Reform revisions would be 8 hours resulting in a burden estimate of 272 hours per major source permit.

The September 1995 ICR estimated the part D NSR permit processing burden to State/local agencies to be 110 hours. The actual burden reduction per permit of this proposed rulemaking is expected to be statistically negligible since the proposed NSR reforms do not impact the part D major source requirements.

The September 1995 ICR estimated the minor source permit processing burden at 10 hours. A number of minor source permits could result from the "clean unit test" or pollution or prevention projects that involve analyses to determine if incidental or collateral emission increases cause unacceptable environmental impacts. However, even if the estimated total reduction in major source permits estimated to result from these reforms ~90 and the review burden increased by 24 hours, the increase when normalized over all 20,000 minor permit actions does not appreciably affect the per permit value. The 10-hour estimate derived in previous ICRs is therefore believed to represent a suitable estimate for all minor sources.

EPA Burden The EPA burden can be grouped into the following tasks, with associated burden hours:

- Review and verify applicability determination: 2 hours
- Review control technology determination: 3 hours
- Evaluate offsets (nonattainment NSR permits only): 1 hour
- Evaluate air quality modeling (typically applies for PSD sources, but may also be submitted for some nonattainment NSR permits): 4 hours
- Evaluate alternatives analysis and secondary impacts analysis: 2 hours
- Evaluate Class I area analysis (near Class I areas only): 2 hours
- Administrative tasks (correspondence, management): 1 hour

This results in an upper bound on the EPA burden of 15 hours per permit for PSD sources and for nonattainment NSR. For minor new source review applications, the Agency expects that its entire burden for each permit will be limited to the review and verification of the applicability determination of that source. The estimated burden for each minor NSR permit that for a Major NSR applicability determination, two hours per application; however the EPA anticipates that it will only audit about 10 percent of the minor source permits due to the trend to divest program responsibilities to the States.

6(c)

COSTS: THE INFORMATION COLLECTION REQUEST

Tables 6-2 and 6-3 list the effort and costs for respondents, States and local authorities, and the Federal government to successfully complete a NSR application under the proposed NSR Reform changes. The costs in Table 6-3 are in 1994 dollars. The total annualized cost of the proposed NSR Reform program is shown to be \$35.5 million. In accordance with the estimation of costs performed in prior NSR impact analyses, the 1992 part 70 permitting program ICR, and the 1994 part 71 Federal permitting program ICR, Federal and State burden was valued at \$34 per hour, which is comparable to a fully loaded full-time employee (FTE) at a G.S. level 11, step 3. Respondent burden was estimated the average of a \$45 per hour, which represents a \$41 per hour in-house labor rate and a \$55 per hour consultant rate, utilized at a ratio of 70% to 30%, respectively. A complete discussion of these costs can be found in the companion report: Information Collection Request for 40 CFR part 51 and 52 Prevention of Significant Deterioration and Nonattainment New Source Review Regulatory Reform.

This analysis determines the current proposed Reform changes simplify the permitting process for new and existing units which must meet major NSR requirements. It shows an expected burden of 520 thousand hours for NSR permitting per year for respondents, a reduction of almost 126 thousand burden hours, or approximately twenty percent from the baseline burden.

6(d) THE COST OF ALTERNATIVES

The data in Table 6-2 are primary, direct burden hours for management and implementation of an NSR permit program under the proposed changes of this rulemaking. The associated costs for these burden estimates are found in Table 6-3. Section 4 of this report discusses three alternative regulatory approaches. It concludes "No Regulation" is not a viable option within the framework of the Act. Changing the effective date of the regulation could change the value of costs and benefits, as well as the distribution of those costs and benefits among different interest groups within the economy. For instance, postponing regulation allows for further technological innovation to reduce the cost of compliance. Postponing compliance deadlines also increases the base for valuing benefits. As populations increase, the benefits of regulatory control are enjoyed by more people, while the costs of control remain constant (or fall, if technological innovation has occurred). Therefore, programs that may be infeasible today (because the sum of benefits does not outweigh the costs of regulation) may very well be an economically viable alternative some years from now. However, the additional loss of health and environmental benefits during the postponement period must also be included in the decision to push back compliance deadlines. An effective date of this rulemaking was not considered by the NSR Reform Subcommittee, although there was a general agreement that the rulemaking should proceed expeditiously and the EPA agreed to make allow as much reform as possible via issuance of policy statements. The EPA has therefore assumed that the effective date of the changes will be the date of promulgation. Because the effect of this rulemaking will be to provide regulatory relief, the costs of alternative effective dates can be assumed to be greater than those of the proposed NSR Reform rulemaking. Finally, as stated in Section 4 of this analysis, the impact of economic incentive alternatives has been ignored in order that the conclusions reached herein are of a more conservative nature.

TABLE 6-3
SUMMARY OF RECORD-KEEPING AND REPORTING BURDEN
ESTIMATES TO INDUSTRY RESPONDENTS, AND FEDERAL, STATE
AND LOCAL AGENCIES

	Part D (Nonattainment NSR) Major Source Permits	Part C (PSD) Major source Permits	Minor Source Action	TOTALS
No. of Sources (a)	266	144	20,000	
Industry Respondent Burden				
Hours/Source	445	711	8	
Total Hours	118,370	102,384	160,000	380,754
Wage Rate, \$/hour (b)	\$45	\$45	\$45	\$45
Total Costs	\$5,326,650	\$4,607,280	\$7,200,000	\$17,133,930
1995 Baseline Cost				\$29,073,000
Cost or (Savings) from Baseline				(\$11,939,070)
I. State and Local Agency Burden				
No. of Agencies	50	60	85	
No. of Sources/ Agency (c)	5.3	2.4	235.3	
Hours/Source	110	272	10	
Total Hours	29,260	39,168	200,000	268,428
Wage Rate, \$/hour (b)	\$34	\$34	\$34	\$34
Total Costs	\$994,840	\$1,331,712	\$6,800,000	\$9,126,552
1995 Baseline Cost				\$11,776,000
Cost or (Savings) from Baseline				(\$2,649,448)
II. Federal Burden				
No. of Sources (d)	266	144	2,000	
Hours/Source	15	15	2	
Total Hours	3,990	2,160	4,000	10,150
Wage Rate, \$/hour (b)	34	34	34	34
Total Costs	\$135,660	\$73,440	\$136,000	\$345,100
1995 Baseline Cost				\$597,000
Cost or (Savings) from Baseline				(\$251,900)
V. Total Program Cost				
	6,457,150	6,012,432	14,136,000	\$26,605,582
Total Program Cost or (Savings) from Baseline				(\$14,840,418)
a) Includes both major new and modified stationary sources.				
b) Wage rate is based on the Federal wage rate at the Grade 11, Step 3 level for the 1994 pay schedule. The wage rate includes direct personnel and overhead costs.				
c) Number of source permits processed by each agency equals the total number of sources divided by the total number of agencies under each column.				

7. UNFUNDED MANDATES REFORM ACT REQUIREMENTS

7(a) INTRODUCTION

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), P.L. 104-4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. Under section 202 of the UMRA, EPA generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to State, local, and tribal governments, in the aggregate, or to the private sector, of \$100 million or more in any one year. Before promulgating an EPA rule for which a written statement is needed, section 205 of the UMRA generally requires EPA to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most cost-effective or least burdensome alternative that achieves the objectives of the rule. The provisions of section 205 do not apply when they are inconsistent with applicable law. Moreover, section 205 allows EPA to adopt an alternative other than the least costly, most cost-effective or least burdensome alternative if the Administrator publishes with the final rule an explanation why that alternative was not adopted. Before EPA establishes any regulatory requirements that may significantly or uniquely affect small governments, including tribal governments, it must have developed under section 203 of the UMRA a small government agency plan. The plan must provide for notifying potentially affected small governments, enabling officials of affected small governments to have meaningful and timely input in the development of EPA regulatory proposals with significant Federal intergovernmental mandates, and informing, educating, and advising small governments on compliance with the regulatory requirements.

As shown in this RIA EPA has estimated the total annualized cost of the NSR permitting program including the proposed reforms does not include a Federal mandate that may result in expenditures of \$100 million or more to either State, local, or tribal governments in the aggregate, or to the private sector. Therefore, today's proposed rule is not subject to the requirements of sections 202 and 205 of the UMRA. In addition, EPA has determined that this proposed rule contains no regulatory requirements that might significantly or uniquely affect small governments, which generally do not have new source permitting authority.

Executive Order 12875 ("Enhancing the Intergovernmental Partnership") is designed to reduce the burden to State, local, and tribal governments of the cumulative effect of unfunded Federal mandates, and recognizes the need for these entities to be free from unnecessary Federal regulation to enhance their ability to address problems they face and provides for Federal agencies to grant waivers to these entities from discretionary Federal requirements.

7(b) PRIOR CONSULTATION

Initially, the EPA convened three NSR simplification workshops, inviting representatives from among those involved with and affected by the major source NSR permitting program. Workshops were held on August 12-13, 1992; March 17-18, 1993; and June 4, 1993. In July 1993, the EPA formed the NSR Reform Subcommittee under the auspices of the CAAAC, a

committee formed in accordance with the Federal Advisory Committee Act (FACA) (5 U.S.C. App. I). The purpose of the Subcommittee was to provide, under the direction of the CAAAC, independent advice and counsel to the EPA on policy and technical issues associated with reforming the major NSR program. The responsibilities of the NSR Reform Subcommittee included developing draft recommendations on approaches for reforming the major NSR rules in order to reduce complexity and perceived impediments to speedy review of the current systems, while at the same time maintaining the environmental goals and benefits embodied in the current approach. The Subcommittee was composed of representatives from industry, environmental organizations, and State and local agencies, and various Federal Departments and Agencies. Members were selected on the basis of their professional qualifications and diversity of perspectives. NSR Reform Subcommittee meetings were held on July 21-22, 1993; November 8-9, 1993; January 20-21, 1994; March 16-17, 1994; and July 19-20, 1994.

The Subcommittee formed subgroups to analyze issues and develop draft recommendations in specific program areas, including NSR permitting issues associated with near Federal Class I areas, BACT and LAER determinations, and to address the impact of Existing Sources in Federal Class I Areas, and NSR Applicability. Final recommendations were transmitted by the CAAAC to the EPA to assist the development of this proposed rulemaking. All of the CAAAC and Subcommittee meetings were open to the public and announced in the Federal Register and relevant materials were placed in the public docket associated with this rulemaking.

8. REGULATORY FLEXIBILITY ACT REQUIREMENTS

8(a) INTRODUCTION

This section addresses the anticipated economic effect of the proposed NSR Reform changes on small entities, pursuant to the requirements of the Regulatory Flexibility Act (PL 96-354). The proposed NSR Reform rule changes will cause varied effects in the regulated community. The Regulatory Flexibility Act requires EPA and other regulatory agencies to prepare an analysis of the disproportional effects of its rulemakings on small entities (small businesses, small governments, and small organizations). In those cases where the Agency does not know, either in quantitative or qualitative terms, the approximate severity of the impacts a proposed rule will have on small entities subject to the rule, it must undertake an initial screening analysis to evaluate the likely economic and administrative burdens. The results of the screening analysis helps the Agency determine the potential economic impacts of the proposed regulatory option.

8(b) METHODOLOGY

This report describes an initial screening analysis to determine whether the proposed NSR changes will have a significant impact on small entities. The screening approach is to (1) identify those provisions of the rule changes that have the potential to generate economic impacts on any entities, either positive or negative, (2) estimate the frequency with which impacts could be generated and their typical magnitude, and (3) estimate the extent to which small entities are

affected. Because of the nature of a screening analysis as described above, items (2) and (3) were approached through a survey of new source permitting authorities utilized in the September 1995 economic analyses. These authorities include 10 states (Arizona, Connecticut, Indiana, Massachusetts, Missouri, New York, New Jersey, Ohio, Tennessee, and West Virginia). For each State selected, data were collected on emissions of VOC, NO_x, CO, and PM-10. The ten-state sampling provided information that was then extrapolated to a national scale. This extrapolation process was consistent with the methodologies utilized in prior NSR Regulatory Flexibility Analysis work, according to which a multiplier was developed as a weighted average using Gross State Product (GSP) figures compiled by the U.S. Department of Commerce for major industry groupings. Three weighted multipliers specific to the ten-state sample were derived; one for each of the 3-digit SIC codes listed below:

**TABLE 8-1
INDUSTRY MULTIPLIERS**

SIC	Industry Group	Multiplier
200-299	Manufacturing-Non Durable Goods	3.5
300-399	Manufacturing-Durable Goods	3.2
400-499	Transportation and Public Facilities	3.6

These weighted multipliers were used to estimate the number of affected sources for the ten States. This method does not differentiate between sources inside nonattainment areas and those which are located in attainment or unclassifiable areas. Consequently, this methodology overstates the number of affected sources in the ten States and constitutes an upper bound to the impact of the proposed NSR Reform rulemaking on small entities.

The data for this analysis were collected at the three digit SIC code level for source categories which are also considered "Small Business Dominated" by the Small Business Administration. This set consists of industries in which over 60 percent of entities are classified as small. When average employment or revenues are computed for small business dominated industries, the averages reflect the small business influence.

8(c) RESULTS

Small Government Entities The screening analysis considered governmental entities, but determined no small government entities (defined as those serving populations of less than 50,000) would be affected. Only entities with new source permitting authority would be affected, and agencies with this authority are typically State governments, municipalities, and groups of municipalities to which authority has been specifically delegated. Therefore, since no small government entities are affected by this rule, there will be no significant economic effects to small

governments as a result of the NSR reform changes.

Small Businesses Six provisions of the draft proposed reforms were identified as having the potential for significant impact due to the proposed NSR Reform rule changes. The Agency learned that, in virtually every case, the burden on permit applicants will be reduced. Further, the proposed rulemaking does not provide any particular size or capacity bias which would negatively impact a particular business type. Additionally, cumulative benefits are expected to be relatively small because the proposed rule changes would provide small businesses with relief only in those infrequent cases where they might otherwise be covered under major NSR. Therefore, the Agency concludes the rule changes would have little impact on small businesses. Therefore, the Agency believes that this rule will not have a significant economic impact on a substantial number of small entities, and that further analysis is not required under the Act.

8(d) MEASURES TO AVERT IMPACTS ON SMALL ENTITIES

The NSR Reform package applies generally to major, new and modified sources of air pollutant emissions without respect to the economic classification of the source. Since the rule also imposes no new regulatory burdens on small businesses this analysis will not cover measures to mitigate impacts on small entities.

9. ENVIRONMENTAL JUSTICE CONSIDERATIONS

9(a) PURPOSE OF ANALYSIS

Executive Order 12898, dated February 11, 1994, requires that each Federal agency make achieving environmental justice (EJ) part of its mission. To do this, agencies are required to identify and address disproportionately high adverse health or environmental effects of agency programs on minority and low-income populations. As part of this plan agencies must consider EJ issues when new rules are proposed. This section of the report provides support to EPA in its efforts to address EJ issues related to the NSR Reform package. EPA solicited guidance from the Agency's Office of Environmental Justice (OEJ); the Office of Policy, Planning and Evaluation (OPPE); and the Office of Solid Waste and Emergency Response (OSWER) on a general set of issues which should be considered in preparation of this report. These issues included descriptive statistics, industrial concerns, geographic concerns, and mitigation strategies.

The data in this section show that in many of the nonattainment areas affected by the NSR Reform changes, housing density is considerably higher than the State and national averages. When subsets of these areas correspond to areas with disproportionately high minority or low-income populations the agency should be especially sensitive to the potential for adverse impacts on minorities and lower income groups.

9(b) MITIGATION STRATEGIES

As described above, the primary effects of the proposed NSR Reform changes relevant to consideration of EJ will not be apparent when considered at the national level. The most

significant EJ concerns could arise when the siting of a source in an area would have disproportionate effects on minority or low-income populations. While this rulemaking does not include strategies to mitigate the disproportionately high and adverse impact of NSR permitting, it does provide for better availability of information about proposed construction of new sources and modification to existing major sources. It thereby enhances the opportunities for public participation through the public comment process. Further the ability of the public to appeal permitting decisions in State courts would be improved by this rule.

10. FINDINGS AND CONCLUSIONS

10(a) INTRODUCTION

The previous sections of this document have addressed the majority of the requirements related to the Economic Assessment required of EPA for proposed NSR Reform regulatory changes. This section summarizes the information contained in the previous sections, and provides a qualitative discussion of some of the economic effects not addressed in the previous sections. In addition, this section addresses the requirements of Executive Orders 12866 and 12875. As part of the qualitative discussion of effects of the NSR Reform rule, this section makes conclusions regarding EPA's need to address these requirements.

10(b) FINDINGS AND CONCLUSIONS

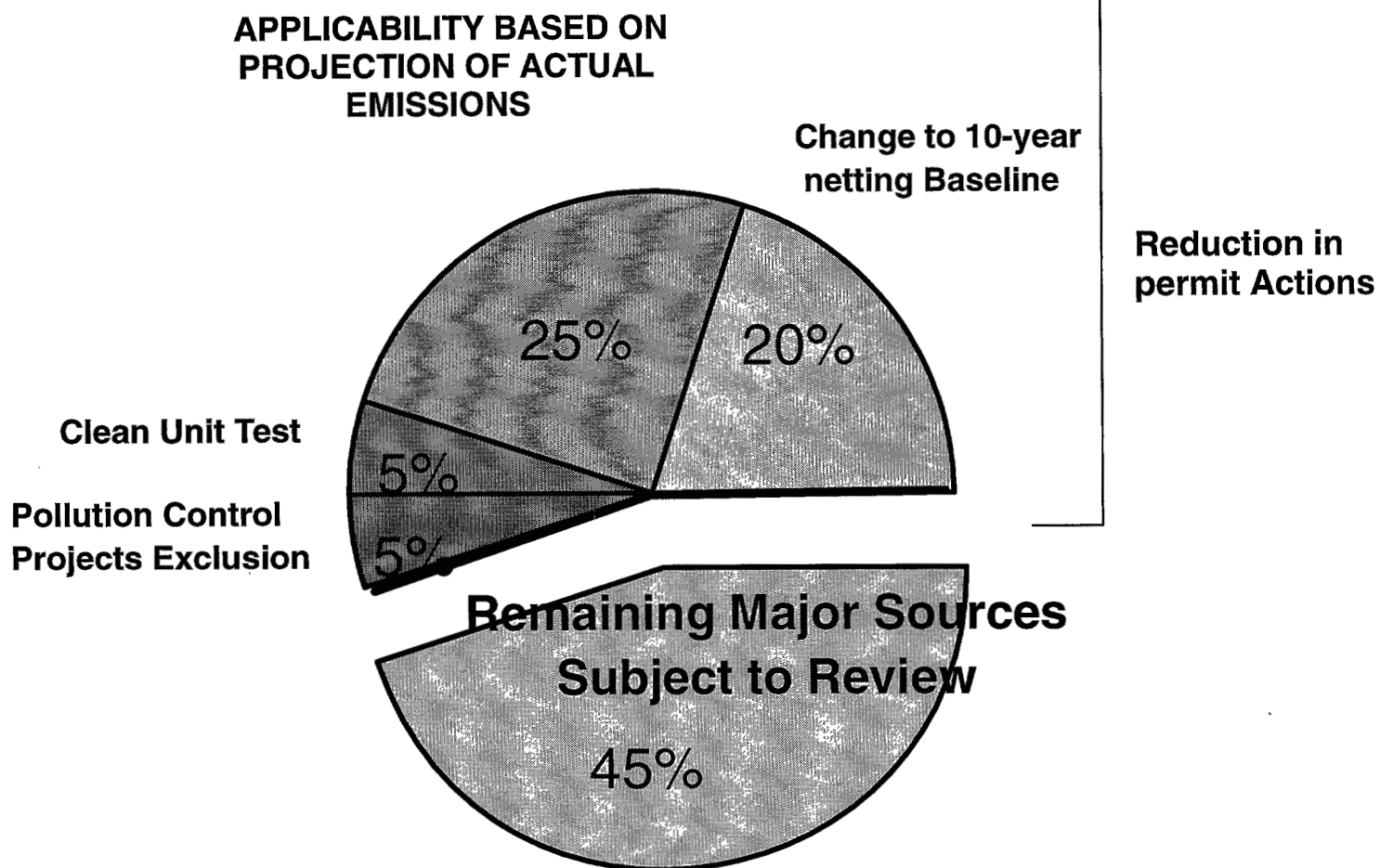
This section provides a qualitative discussion of the costs and benefits associated with the NSR Reform rule, including those already addressed in previous sections. The costs and benefits of each of the major groups of regulatory changes are discussed below. For the purposes of this discussion, a benefit of the reform rule is a decrease in cost relative to the baseline NSR regulations.

The proposed NSR Reform changes offer significant regulatory relief in terms of the reporting and record-keeping burden, relative to previous versions of the NSR Rules. This regulatory relief arises primarily through source's ability to avoid NSR review under the proposed changes to the NSR Reform package's permitting requirements. The reduction in the number of applicable sources was largely a result of changes in netting procedures. Figure 10-1 below displays the relative impact of each of the major NSR Reform changes. For sources, regulatory relief decreases the costs of developing permits and reduces the costs of delay and uncertainty in planning for future source growth. Likewise, for PAs and the Agency, this results in a decrease in permit processing costs. Further, the proposed changes in the NSR Reform package would allow only "insignificant" emissions increases the impacts of which must still be managed by minor source programs at the State and local level.

The estimated administrative and record keeping cost to industry under the NSR program as revised by the proposed NSR Reform rulemaking would be about \$17 million, which represents a decrease in estimated costs to respondents of approximately \$12 million per year. In addition, the proposed NSR Reform package would reduce the corresponding cost to State and local agencies by approximately \$2.5 million per year. For the Federal government, however, the savings derived from this rulemaking are much smaller, on the order of \$250 thousand per year.

FIGURE 10-1

EXPECTED REDUCTION IN MAJOR SOURCE PERMITS DUE TO NSR REFORM



APPENDIX A

COMPARISON OF PREVIOUS ANALYSES

TABLE A-1

**COMPARISON OF THE ANNUAL NUMBER OF SOURCES USED IN
PREVIOUS NSR ICRs TO ESTIMATE THE RECORD-KEEPING
AND REPORTING BURDEN TO INDUSTRY RESPONDENTS
AND STATE AND LOCAL AIR POLLUTION CONTROL
AGENCIES**

	NSR ICR (7/85)^a	PM-10 Increments ICR (4/88)^a	NO₂ Increments ICR (10/88)^a	CMA Exhibit A ICR (7/89)^a	Part C&D Draft ICR (6/94)^a
Industry Respondents					
• Major PSD sources	300	300	300	300	320
• Major Part D sources	100	70	70	70	590 ^b
• Minor Source ^c	20,000	20,000	20,000	20,000	19,500
State and Local Agencies					
• Major PSD sources	60	60	60	60	60
• Major Part D sources	50	50	50	50	50
• Minor Sources ^c	85	85	85	85	85

^aDate of the ICR.

reflects statutory lowering of major source cutoff due to 1990 CAA Amendments.

^bMinor sources are sources in nonattainment and attainment/unclassifiable areas whose actual emissions and potential to emit are below the major source thresholds for nonattainment or PSD, and modified sources that will net out of the major source construction permit requirements by "netting out," i.e., generating internal emissions reductions and or limiting their potential to emit below the applicable threshold significance levels.

TABLE A-2

**COMPARISON OF RECORD-KEEPING AND REPORTING BURDEN
ESTIMATES USED IN PREVIOUS NSR ICRs**

	Person-Hours Per Occurrence (Source)									
	NSR ICR (7/85)^a		PM-10 Increments ICR (4/88)^a		NO₂ Increments ICR (10/88)^a		CMA Exhibit A ICR (7/89)^a		Draft Part C&D ICR (6/94)^a	
	PSD	Part D	PSD	Part D	PSD	Part D	PSD	Part D	PSD	Part D
Respondents										
Major Sources ^{b,c}	650	450 ^d	690	250	753	250	685	242	700	450
Minor Sources ^e	8	8	8	8	8	8	8	8	8	8
States										
Major Sources ^{f,g}	250	150	270	135	279	135	268	132	280	110
Minor Sources ^e	10	10	10	10	NA ^h	NA ^h	10	10	10	10

^aDate of the ICR.

^bFor PSD permit applicants, hour estimates include the time needed by an applicant to prepare and submit a complete permit application (e.g., BACT analysis, air quality modeling and monitoring, etc.)

^cFor nonattainment permit applicants, hour estimates include the time needed by an applicant to prepare and submit a complete permit application (e.g., documentation that LAER will be applied, that other facilities in State are in compliance, and documentation of emissions offsets, etc.).

^dThe ICR did not provide a table which showed the hours for preparation and planning, data collection and analysis, and writing the permit application.

^eThe burden estimates assume that much of the actual permit development for minor sources (which are often unfamiliar with the permitting process) is done by the permitting authority. Therefore, much of the permit development burden is included in the estimate for minor NSR permit processing.

^fFor PSD permit applications, the burden estimates include reviewing permits to ensure that Part C requirements are met (e.g., BACT determinations and air quality analyses) and fulfilling agency responsibilities (e.g., Federal Class I area protection and notifications).

^gFor nonattainment permit applications, the burden estimates include reviewing permits to ensure that Part D requirements are met (e.g., LAER determinations, other facilities in the State are in compliance, documentation of emissions offsets, etc.).

^hNot available in the ICR.

APPENDIX B

BURDEN-ASSOCIATED REGULATIONS

TABLE B-1**RESPONDENT DATA AND INFORMATION REQUIREMENTS FOR
PREPARING PART C (PSD) CONSTRUCTION PERMITS ***

Requirements	Regulation Reference as Proposed
Registration of permit application on EPA Notification Board	40 CFR 51.166(n)(4)
Description of the nature, location, design capacity, and typical operating schedule	40 CFR 51.166(n)(2)(i)
Detailed schedule for construction	40 CFR 51.166(n)(2)(ii)
Description of continuous emission reduction system, emission estimates, and other information needed to determine that BACT is used	40 CFR 51.166(n)(2)(iii)
Air Quality impact, meteorological, and topographical data	40 CFR 51.166(n)(3)(i)
Nature and extent of, and air quality impacts of general commercial, residential, industrial, and other growth in area of source	40 CFR 51.166(n)(3)(i) 40 CFR 51.166(o)(2)
Use of air quality models to demonstrate compliance with NAAQS and increment	40 CFR 51.166(k)&(l)
Information necessary to determine impact on AQRVs in Federal Class I areas	40 CFR 51.166(p)(2)(i)
Air quality monitoring data	40 CFR 51.166(m)
Analysis of Impairment to visibility, soils, and vegetation	40 CFR 51.166(o)(1)
In case of modification, documentation of derivation of net emissions increase	40 CFR 51.166(b)(3)(i)
Documentation for basis of qualifying for a pollution control or pollution prevention project exclusion	40 CFR 51.166(b)(2)(iii)(H)
Written notice of proposed relocation of portable source	40 CFR 51.166(i)(4)(iii)(d)

TABLE B-2

STATE DATA AND INFORMATION REQUIREMENTS

Requirement	Regulation Reference as Proposed
Early FLM notification and opportunity to participate in meetings (for sources within 100 km of Class I area)	40 CFR 51.166(p)(2)
Submission of all permit applications to EPA	40 CFR 51.166(q)(4)(iv) 40 CFR 51.161(d)
Registration of summary information on NSR BBS	40 CFR 51.166(n)(4)
Submission to FLM of permit applications for sources within 100 km of Class I area or if otherwise requested by FLM	40 CFR 51.166(p)(4)
Make preliminary determination whether construction permit should be issued for major source or minor source or modification due to "clean unit" test or pollution control project exclusion.	40 CFR 51.166(i)-(p) 40 CFR 51.166(q)(4)(i)
Submission of notice of application, preliminary determination, degree of increment consumption, and opportunity for public comment	40 CFR 51.166(q)(4)(ii) & (iii)
Conduct public hearings on Major NSR permits	40 CFR 51.166(q)(4)(v)
Submission of written request to exempt sources from review under Federal regulations when	40 CFR 52.21(i)(4)(vi)
Make findings regarding innovative control technology applications and issue appropriate permit.	40 CFR 51.166(s)
Provide for appropriate public comment for minor NSR permits that have been issued in lieu of a major NSR permit due to "clean unit" test or pollution control project exclusion	40 CFR 51.161

**TABLE B-3. RESPONDENT DATA AND INFORMATION REQUIREMENTS
FOR PREPARING PART D (NONATTAINMENT NSR)
CONSTRUCTION PERMITS**

Requirements	Proposed Regulation Reference
Documentation that LAER is being applied	40 CFR 51.165(a)(2)(ii)
Documentation that all sources owned or operated by same person in the particular State are in compliance with all State and Federal Regulations applicable in that State	40 CFR 51.165(a)(6)(ii)(D)
Documentation demonstrating the legitimacy of proposed offsets and that sufficient emissions reductions are occurring to ensure RFP	40 CFR 51.165(a)(2)(i) 40 CFR 51.165(a)(3)(i)
Documentation that benefits of proposed source significantly outweigh the environmental and social costs imposed as a result of its location, construction, or modification	40 CFR 51.165(a)(2)(i)
Description of the location, design construction, and operation of building, structure, facility, or installation	40 CFR 51.165(a)(6)(ii)
Description of the nature and amounts of emissions to be emitted and in case of a modification the derivation of the net emissions increase	40 CFR 51.165(a)(6)(ii) & (iii) 40 CFR 51.165(a)(1)(v) & (vi)
Description of the air quality data and dispersion or other air quality modeling used	40 CFR 51.160(f)
Documentation for basis of qualifying for a pollution control or pollution prevention project exclusion	40 CFR 51.165(a)(1)(v)(C)
Sufficient information to ensure attainment and maintenance of NAAQS	40 CFR 51.160(c)-(e) 40 CFR 51.161 40 CFR 51.162 40 CFR 51.163

TABLE B-4**STATE DATA AND INFORMATION REQUIREMENTS**

Requirement	Regulation Reference as Proposed
Submission of all permit applications to EPA	40 CFR 51.161(d)
Registration of summary information on NSR BBS	40 CFR 51.165(a)(6)
Make preliminary determination whether construction permit should be issued for major source or minor source or modification due to "clean unit" test or pollution control project exclusion.	40 CFR 51.165(a)(1)-(15)
Submission of notice of application, preliminary determination, supporting analyses and documentation, and opportunity for public comment	40 CFR 51.166(a)(7)(iii)
Conduct public hearings on Major NSR permits	40 CFR 51.166(a)(7) 40 CFR 51.161
Make findings regarding innovative control technology applications and issue appropriate permit.	40 CFR 51.166(a)(8)
Report Technology Determinations to the RACT/BACT/LAER Clearinghouse	40 CFR 51.165(a)(16)
Provide for appropriate public comment for minor NSR permits that have been issued in lieu of a major NSR permit due to "clean unit" test or pollution control project exclusion	40 CFR 51.161